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ASD (MRA&L)

Department of Defense Directive

SUBJECT International Balance of Payments Program -
Nonappropriated Fund Activities

References: (a) DoD Directive 7060.3, subject as above,
April 12, 1971 (hereby canceled)
(b) DoD Directive 1330.9, "Armed Services
Exchange Regulations, " October 29, 1971
(c) DoD Directive 5000.35, "Defense Acquisition
Regulatory System," March 8, 1978
(d) DoD Directive 4270.1, "Construction
Criteria," February 16, 1978
(e) DoD Instruction 7360.9, "Use of United States
Owned Foreign Currencies," February 11, 1977

A. REISSUANCE AND PURPOSE

This Directive reissues reference (a) to update policy and procedures governing (1) purchase of foreign goods and services by DoD nonappropriated fund instrumentalities (including non-appropriated concessionaire activities) outside the United States, its possessions, and Puerto Rico, and (2) construction, repair and maintenance of such activities.

B. APPLICABILITY

The provisions of this Directive apply to the Military Departments.

C. DEFINITIONS

1. Nonappropriated Fund. An officially authorized and properly organized Federal instrumentality which provides certain welfare, comfort, and recreational needs of DoD " personnel through the use of funds that are not appropriated by Congress and are not derived through taxation.

2. Foreign Goods. Goods produced or manufactured in a foreign country and physically located outside the United States, its possessions or Puerto Rico, or in bonded ware-houses or a foreign trade zone within the United States, its

possessions or Puerto Rico. This interpretation excludes the procurement of foreign made or produced exchange-type retail merchandise from sources within the United States, but includes that within the categories and price limitations of DoD Directive 1330.9 (reference (b)).

3. Local Market. The local market area surrounding a nonappropriated fund instrumentality that serves the same U.S. personnel who are served by such nonappropriated fund activity, as defined by the appropriate major overseas commander. In defining the local market, major overseas commanders should include only the area in which there is effective competition with the nonappropriated fund activity.

4. Excess Foreign Currencies. The currencies of countries (a) held by the U.S. Treasury in excess supply for all U.S. Government needs, and (b) periodically declared to the Office of Management and Budget by the U.S. Treasury as excess. The lists of countries are transmitted to DoD Components from time to time by appropriate DoD issuances.

D. POLICY

It is the policy of the Department of Defense to favor and promote the sale of U.S. items and services in overseas nonappropriated fund instrumentalities.

1. Procurement and Stocking

a. General. Overseas exchange officers and heads of other procuring nonappropriated fund activities shall, within the limits of sound business practice, stock merchandise of U.S. origin in preference to equivalent merchandise from foreign sources, and take the following steps to maximize the sale of U.S.-made merchandise by nonappropriated fund resale activities.

(1) Label and segregate foreign merchandise displays.

(2) Display U.S.-made merchandise prominently.

(3) Avoid inferior or foreign-made imitations and substitutes of U.S.-made merchandise.

(4) Respond rapidly to indicated consumer preference for merchandise of U.S. origin through established exchange procurement channels.

(5) Cooperate with potential U.S. suppliers in meeting foreign competition where customer demand in overseas exchanges indicates a shift to foreign products.

b. Foreign Goods for Resale. It is recognized that, when locally available foreign goods are procured by U.S. personnel in

overseas areas, a more favorable effect on the U.S. balance of payments will result if such goods are purchased through U.S.-operated nonappropriated fund resale activities rather than procured directly on the local economy or from other foreign outlets.

(1) Restrictions. Overseas nonappropriated fund resale activities may procure foreign-made goods available in the local market for resale to authorized personnel, subject to the restrictions contained in Part 8, section IV. , enclosure 1, of DoD Directive 1330.9 (reference (b)) and under the following conditions:

(a) The price of foreign goods sold in nonappropriated fund activities shall be based upon a markup percentage that is no less than that applied to similar categories of U.S. merchandise. Other provisions notwithstanding, the resale price of an item need not exceed the local price.

(b) Only foreign goods available on the local market will be sold by nonappropriated fund instrumentalities, except under the following circumstances:

1 Foreign-made goods purchased with excess foreign currencies may be stocked and sold.

2 In remote geographic areas where DoD personnel are isolated and where a local market does not exist, the major overseas commander may authorize foreign goods to be stocked to the extent dictated by morale and welfare considerations.

(c) Transshipment of foreign made goods between nonappropriated fund instrumentalities in different market areas is authorized where the resale price of the transshipped items, including markup and transshipment transportation costs, will result in significant savings to the authorized patrons as compared to purchase of the items from local importers at the resale area. No appropriated funds will be used in this transshipment of merchandise.

(2) Exceptions to subparagraph D.1.b .(1): The following categories of foreign goods procured by overseas nonappropriated fund resale activities are not subject to the conditions stated in subparagraph D.1.b. (1).

(a) Perishable subsistence items, beverages, and similar items purchased for consumption on the premises of nonappropriated fund activities engaged in serving foods and beverages. However, these purchases should be reviewed continuously with the view to change to U.S. sources if feasible and financially advantageous.

(b) Goods for which there are no acceptable substitutes of U.S. manufacture and which are required to operate and/or

maintain customer-owned equipment, such as 220v/110v transformers ; bulbs, sockets and accessories; and repair parts for watches, radios, record players and household appliances.

(c) Infant caskets.

(d) Distinctive unit insignia.

(e) Printed matter such as maps, postcards, magazines, newspapers, travel books, greeting cards, and newsprint and ink for printing of "Stars and Stripes."

(f) Soft drinks.

(g) Items of supply and materials for use in connection with hobby craft shop and craft programs of the Military Departments.

(h) Purchases made or required pursuant to treaty or executive agreement.

(i) Emergency purchases.

(j) High octane gasoline, kerosene, and heating and cooking fuels which are not otherwise available from appropriated fund stocks .

(k) Automotive supplies for U.S.-made cars where supplies of American manufacture are not available from either bonded warehouses or foreign distributors and where existing facilities preclude these supplies otherwise being made available for the upkeep of privately-owned vehicles.

c. Foreign Goods Not for Resale

(1) Overseas nonappropriated fund instrumentalities are authorized to buy but not to sell the following foreign made or produced goods if procurement is:

(a) Made pursuant to treaty or executive agreements.

(b) Estimated not to exceed \$1,000 in foreign cost.

(c) Estimated not to exceed \$10,000 in foreign cost, when required by compelling emergencies.

(d) Obtainable from foreign sources only and for which it is not feasible to forego filling the requirements or to provide a U.S.-made substitute for them.

(2) Procurement of foreign goods in accordance with (a) through (d), above, should be accomplished to the maximum extent practicable through barter arrangements, following procedures similar to those contained in DoD Directive 5000.35 (reference (c)), provided the use of such procurement does not result in increased cost.

(3) Procurement of other "not for sale" goods, except as provided in section E. will be U.S. materials and end products from domestic ~~suppliers~~ provided the cost of U.S. goods (including transportation and handling cost) is estimated to be no more than 25% above the cost of foreign goods.

2. Construction of Nonappropriated Fund Activities and Maintenance and Repair of Real Property

a. Nonappropriated fund construction projects will be considered justified for approval only in cases where (1) a serious ~~deficiency~~ exists in morale and welfare facilities at isolated locations; or (2) such projects would clearly improve the U.S. balance of payments by diverting expenditures from the local economy.

(1) Construction projects will be accomplished to the maximum extent under construction procedures which use (a) U.S. contractors, U.S. materials, and end products from domestic suppliers; (b) U.S. Government-furnished material and equipment; (c) U.S. flag carriers; (d) prefabricated installations and structures manufactured in the United States; and (e) competent available troop labor.

(2) Construction projects using nonappropriated funds shall be approved by:

(a) The major commander concerned for projects (1) not to exceed \$50,000; and (2) otherwise within the commander's approval authority.

(b) The Secretary of the Military Department concerned for projects (1) estimated to exceed \$50,000; and (2) otherwise within the Secretary's approval authority.

b. Real Property Repair and Maintenance. In addition to the requirements of DoD Directive 4270.1 (reference (d)), repair and maintenance projects using ~~nonappropriated~~ funds shall be approved in advance by the Secretary of a Military Department, or designee, as follows: (1) individual repair projects outside the United States . . . where the estimated cost exceeds \$50,000; and (2) maintenance projects costing \$100,000 or more.

c. For the purpose of determining the level of approval authority required by paragraphs a. and b., above, project costs will not include payroll costs of regular full-time indigenous employees when these are employed primarily for (1) day-to-day repair and

maintenance or other **duties, and** are required irrespective of work on projects; or (2) design, supervision and inspection of projects.

E. EXCEPTIONS

1. Canada, Korea and Mexico. Nonappropriated fund activities located in these countries are authorized to purchase and sell goods produced or manufactured in the respective countries in which located without application of the pricing provisions of paragraphs D.1.b. and D.1.c.(1) and (3).

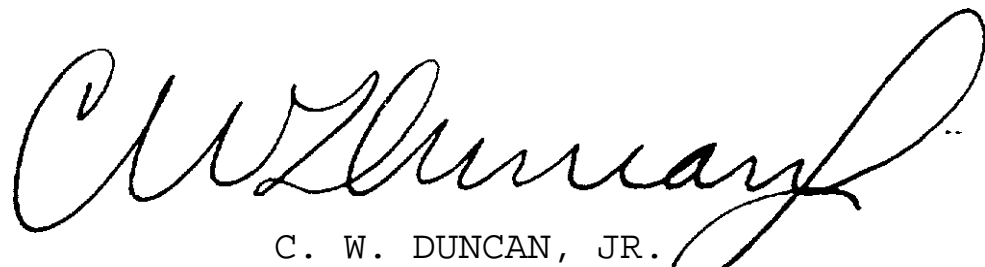
2. Greenland. Nonappropriated fund activities located in Greenland are authorized to purchase and sell goods produced or manufactured in the Kingdom of Denmark without application of the pricing provisions of paragraphs D.1.b. and D.1.c.(1) and (3).

3. Panama and the Canal Zone. Nonappropriated fund activities located in Panama and the Canal Zone are not subject to the provisions of this Directive, but are governed by the provisions of the **Memorandum of Understanding** between the United States and Panama with respect to the importation of merchandise into the Canal Zone.

4. Excess Foreign Currencies. Nonappropriated fund activities are authorized to purchase, in accordance with the provisions of DoD Instruction 7360.9 (reference (e)), with excess foreign currencies acquired from the U.S. disbursing officer, goods produced or manufactured in countries in which the U.S. Treasury holds an excess supply of the currency of the country concerned. Payments for such procurements may also be made in both local currency and dollars if the dollar portion is limited to the suppliers validated direct dollar costs of the U.S. export content of the procurement. Purchase and sale of such goods and services are not subject to the other provisions of this Directive.

F. EFFECTIVE DATE AND IMPLEMENTATION

This Directive is effective immediately. Forward one copy of the implementing documents to the Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics) within 120 days.



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